HB 620 -- Economic Development Tax Credits

Sponsor: Barnes

This bill revises the process for designating an enhanced enterprise zone by repealing the requirement that the Director of the Department of Economic Development be given 30 days' notice prior to the required hearing. After a public hearing, the governing authority of the political subdivision may adopt an ordinance or resolution to designate an area as an enhanced enterprise zone, rather than filing a petition with the department as is currently required.

The bill establishes the Buck Stops Here Economic Development Tax Credit Reform Program. The program provides tax incentives through retained withholding taxes and refundable income and financial institutions tax credits for qualified companies. The program provides entitlement and discretionary benefits for qualified companies that offer health insurance to employees and pay at least 50% of the premiums. Tax credits provided under the program are fully transferrable and must be used within one taxable year following the taxable year in which they are issued.

Qualified companies may retain one-third of the withholding tax for new jobs for five years after the date the jobs are created or six years if the qualified company is an existing Missouri business, if the qualified company creates 10 or more new jobs at an average wage of 90% or more of the county average wage; the qualified company creates two or more new jobs in a rural area at an average wage of 90% or more of the county average wage and the qualified company commits at least $100,000 to new capital investment at the project facility within two years; or if the qualified company creates two or more new jobs in an enhanced enterprise zone, the average wage of the new jobs equals or exceeds 80% of the county average wage, and the qualified company commits at least $100,000 to new capital investment at the project facility within two years. The company may also receive tax credits of up to 8% of new payroll to be issued each year for five years if the combined tax credit and retained withholding benefits do not exceed 9% of the new payroll in any year, based on a list of factors for the department’s consideration in granting the credits. Each decision to award additional incentives must be accompanied by a written decision that addresses each factor and the signature of the Governor if the amount of the award is greater than $1 million per year. When the department approves a notice of intent to receive tax credits, it must enter into a written agreement with the qualified company that specifies, at a minimum, the number of new jobs, new payroll, and new capital investment for each year during the project period; the period over which the tax credits will be issued; clawback provisions as may be required by the department but which must include repayment of interest at 9% annually; and any other provisions that the department may require. A qualified company that produces 10 or more jobs at the required wage may also receive tax credits of up to 3% of new payroll for five years as long as the total benefits awarded do not exceed 12% of new payroll in any year. These benefits also require a written decision and the Governor’s signature when the award is greater than $1 million per year. No benefits can be available for a qualified company that has performed significant, project-specific site work at the project facility, purchased machinery or equipment related to the project, or has publicly announced its intention to create new jobs or make new capital investment at the facility prior to the approval of its notice of intent.

A benefit for retained jobs, not to exceed $6 million in the aggregate in any fiscal year, may be awarded if the department determines that there is a significant probability that a qualified company would relocate out of state if the benefit were not available. A qualified company may be authorized to retain an amount not to exceed 100% of the withholding tax from full-time jobs for 10 years if the average wage of the retained jobs equals or exceeds 90% of the county average wage. Requirements for these benefits include retaining at least 50 jobs for 10 years and making a new capital investment at the project facility within three years in an amount equal to one-half the total benefits offered to the company. These benefits also require the Governor’s signature when the award is greater than $1 million.

The department is required to respond to a written request for a proposed benefit award under the program within five business days of the receipt of the request. The response must contain a proposal of benefits or a written refusal stating the reasons for the refusal. Failure by the department to respond to a notice of intent within 30 days will result in it being deemed approved.

By no later than January 1, 2014, the department must provide quarterly reports on the program to the General Assembly, including, at a minimum, a listing of all applicants and the department's response time to requests for proposed benefit awards. A qualified company that receives benefits under the program is required to provide an annual report to the department in order to document compliance with all applicable requirements.

Beginning August 28, 2013, no new benefits can be authorized for any project that has not already been approved by the department under the Development Tax Credit Tax Program, the Rebuilding Communities Tax Credit Program, the Enhanced Enterprise Zone Tax Credit Program, and the Missouri Quality Jobs Program. The total amount of all tax credits authorized for each fiscal year under the Compete Missouri Program, including any outstanding authorizations for tax credits under the other four specified programs, cannot exceed $90 million for fiscal years 2014, 2015, and 2016.

The provisions of the bill expire six years after the effective date.